

ATTACHMENT B

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

SECURITIES INVESTOR PROTECTION
CORPORATION,

Plaintiff-Applicant,

v.

BERNARD L. MADOFF INVESTMENT
SECURITIES LLC,

Defendant.

In re:

BERNARD L. MADOFF,

Debtor.

IRVING H. PICARD, Trustee for the Liquidation of
Bernard L. Madoff Investment Securities LLC,

Plaintiff,

v.

JUDD ROBBINS,

Defendant.

Adv. Pro. No. 08-01789 (SMB)

SIPA LIQUIDATION

(Substantively Consolidated)

Adv. Pro. No. 10-04503 (SMB)

**EXPERT REPORT OF
MATTHEW B. GREENBLATT, CPA/CFF, CFE
SENIOR MANAGING DIRECTOR
FTI CONSULTING, INC.**

**PRINCIPAL BALANCE CALCULATION
AS APPLIED TO
JUDD ROBBINS**

April 21, 2017

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I. INTRODUCTION

1. As described in my Expert Report regarding the Methodology for the Principal Balance Calculation dated November 15, 2012 (the “Principal Balance Calculation Report”), FTI Consulting, Inc. (“FTI”) was retained by Baker & Hostetler LLP, on behalf of the Trustee, to, among other things, reconstruct the books and records of BLMIS. I am a Senior Managing Director at FTI. Additional information regarding my professional experience and recent testimony is included in my Curriculum Vitae annexed hereto as **Exhibit 1**.

2. As part of FTI’s reconstruction of the books and records of BLMIS, chronological listings of all cash and principal transactions for every BLMIS customer account were compiled. These chronological listings provided the foundation to calculate every BLMIS account holder’s principal balance on a daily basis for all dates from April 1, 1981 through December 11, 2008 (the “Principal Balance Calculation”).

3. The Principal Balance Calculation Report explains the methodology of the Principal Balance Calculation and describes the relevant documents and data that were maintained by BLMIS. Accordingly, this report should be read in conjunction with the Principal Balance Calculation Report.¹

4. This report specifically applies the methodology of the Principal Balance Calculation to the BLMIS account associated with Judd Robbins (the “Defendant”), in the above-captioned litigation, and provides a description of the cash and principal activity in the BLMIS accounts impacting the Principal Balance Calculation for BLMIS Account 1ZR234 (the “Robbins Account”).²

¹ The opinions that I render in the Principal Balance Calculation Report, the documents that I considered in connection with that Report, and the accompanying Exhibits to that Report, are all incorporated by reference. All capitalized terms not defined herein shall have the meaning ascribed to them in the Principal Balance Calculation Report.

² The name on the Robbins Account changed over the years it was maintained with BLMIS. Prior to January 1998, the account was under the name of “RETIREMENT ACCTS INC CUST IRA F/B/O JUDD ROBBINS (x9872).” From January 1998 through April 2002, the account was under the name of “RETIREMENT ACCTS INC CUST IRA FBO JUDD ROBBINS (x9872).” From May 2002 through October 2004, the account was under the name of “RETIREMENT ACCTS INC CUST IRA FBO JUDD ROBBINS (x9872) NEW BALANCE INV LLC.” From November 2004 through November 2007, the account was under the name of “RETIREMENT ACCTS INC CUST IRA FBO JUDD ROBBINS (x9872).” From December 2007 through November 2008, the account was under the name of “NTC & CO. FBO JUDD ROBBINS (x9872).” (See **AMF00112933, AMF00112972, AMF00112978-AMF00112988, MDPTPP07530636-MDPTPP07530646, MDPTPP07530931-MDPTPP07530944, MDPTPP07531120-MDPTPP07531129, and MDPTPP07531339-MDPTPP07531352.**)

5. This report has been prepared in connection with the above-captioned litigation and is to be used only for the specific purposes of this lawsuit. It is not to be used for any other purpose without the express written consent of FTI. If called upon to testify in this matter, I intend to provide testimony regarding my analyses and conclusions consistent with this report. FTI is being compensated at a rate of \$637 per hour for my professional time incurred in performing the work necessary to prepare this report. FTI's fees are not contingent on the conclusions reached in this report or the outcome of the above-captioned litigation.

6. The documents and data that I considered in connection with this report are listed in **Exhibit 2**. I reserve the right to supplement my report based on any additional documents or information received.

II. DESCRIPTION OF ACTIVITY IN THE ROBBINS ACCOUNT AND THE TRANSACTIONS IMPACTING THE PRINCIPAL BALANCE CALCULATION

7. The Robbins Account was maintained with BLMIS beginning in November 1994. Throughout its account history with BLMIS, the Robbins Account had a total of 11 cash deposit and withdrawal transactions. In addition to these cash transactions, there were the following inter-account transfers into the Robbins Accounts: (i) two inter-account transfers from BLMIS Account 1ZA006; and (ii) two inter-account transfers from BLMIS Account 1ZB408. There was also an inter-account transfer from the Robbins Account into BLMIS Account 1ZB408.

8. The cash deposit and withdrawal transactions, as well as the inter-account transfers, all impacted the Principal Balance Calculation for the Robbins Account. Each of these transactions was reflected on the Customer Statements between November 1994 and November 2008.

9. As described in the Principal Balance Calculation Report, the amount of the transfer of funds from one BLMIS account to another BLMIS account (an inter-account transfer³) is limited to the amount of principal available in the *transferor's* account at the time of the transfer. Only the portion of the inter-account transfers between BLMIS accounts for which the transferor had actual principal could be transferred. As such, all inter-account transfers have

³ An inter-account transfer is defined as a non-cash transaction between BLMIS customer accounts in which no new funds entered or left BLMIS, but rather a book entry occurred at BLMIS to internally adjust the balances of those accounts. These book entries did not reflect any transfers of cash because there was no actual movement of cash. Rather, these inter-account transfers merely changed reported value in the purported "equity" maintained in the BLMIS customers' accounts. (See Principal Balance Calculation Report, ¶¶17, 27-28, 32-34.)

been analyzed and the transferee's account has been credited only up to the amount of principal available in the transferor's account on the day of the inter-account transfer.

10. Thus, in order to perform the Principal Balance Calculation for the Robbins Account, BLMIS Accounts 1ZA006 and 1ZB408 were analyzed to determine the amount of principal available in those accounts that could be transferred into the Robbins Account.

11. **Exhibit 3** to this report (Summary Schedule of Cash and Principal Activity in the Robbins Account) provides a summary of the activity in the BLMIS accounts that impacted the Principal Balance Calculation for the Robbins Account.

12. **Exhibits 4A-4C** to this report provide detailed schedules for the Principal Balance Calculation for BLMIS Accounts 1ZA006, 1ZB408, and the Robbins Account, respectively.

A. Summary of Activity in BLMIS Account 1ZA006 and the Inter-Account Transfers Into the Robbins Account

13. On November 30, 1992, BLMIS Account 1ZA006 was opened with a cash deposit via check in the amount of \$436,621, all representing principal.

14. Subsequent to this initial cash deposit, there were two additional cash deposits via checks into BLMIS Account 1ZA006 in the aggregate amount of \$60,000, all representing principal.

15. These three cash deposits provided BLMIS Account 1ZA006 with a total of \$496,621 of principal.

16. On November 21, 1994, there was an inter-account transfer from BLMIS Account 1ZA006 into the Robbins Account in the amount of \$649,546, as reflected on the Customer Statements. However, because BLMIS Account 1ZA006 had only \$496,621 of principal available at the time of this inter-account transfer, the Robbins Account was credited with \$496,621 of principal. The remaining balance of this reported inter-account transfer constituted fictitious profits. (See **Exhibit 4A** for the Detailed Schedule for the Principal Balance Calculation for BLMIS Account 1ZA006; see also **Exhibit 4C** for the Detailed Schedule for the Principal Balance Calculation for the Robbins Account.)

17. On December 30, 1994, there was an additional inter-account transfer from BLMIS Account 1ZA006 into the Robbins Account in the amount of \$2,912, as reflected on the Customer Statements. However, due to the zero principal balance in BLMIS Account 1ZA006 at

the time of this inter-account transfer, there was no principal available to be transferred into the Robbins Account. Therefore, this amount was not credited as principal into the Robbins Account because this reported inter-account transfer constituted fictitious profits. (See **Exhibits 4A** and **4C**.)

B. Summary of Activity in BLMIS Account 1ZB408 and the Inter-Account Transfers Into the Robbins Account

18. On May 15, 2001, BLMIS Account 1ZB408 was opened with an inter-account transfer from the Robbins Account in the amount of \$1,965,367, as reflected on the Customer Statements. However, because the Robbins Account had only \$496,621 of principal available at the time of this transfer, BLMIS Account 1ZB408 was credited with \$496,621 of principal. The remaining balance of this reported inter-account transfer constituted fictitious profits. (See **Exhibit 4B** for the Detailed Schedule for the Principal Balance Calculation for BLMIS Account 1ZB408; *see also* **Exhibit 4C**.)

19. This one inter-account transfer provided BLMIS Account 1ZB408 with \$496,621 of principal.

20. On September 26, 2001, there was an inter-account transfer from BLMIS Account 1ZB408 into the Robbins Account in the amount of \$2,019,192, as reflected on the Customer Statements. However, because BLMIS Account 1ZB408 had only \$496,621 of principal available at the time of this transfer, the Robbins Account was credited with \$496,621 of principal. The remaining balance of this reported inter-account transfer constituted fictitious profits. (See **Exhibits 4B** and **4C**.)

21. On April 23, 2002, there was an additional inter-account transfer from BLMIS Account 1ZB408 into the Robbins Account in the amount of \$37, as reflected on the Customer Statements. However, due to the zero principal balance in BLMIS Account 1ZB408 at the time of this inter-account transfer, there was no principal available to be transferred into the Robbins Account. Therefore, this amount was not credited as principal into the Robbins Account because this reported inter-account transfer constituted fictitious profits. (See **Exhibits 4B** and **4C**.)

C. Description of the Inter-Account Transfers and the Cash Deposit Into the Robbins Account

22. On November 21, 1994, the Robbins Account was opened with an inter-account transfer from BLMIS Account 1ZA006 in the amount of \$649,546, as reflected on the Customer Statements. However, as discussed above, the Robbins Account was only credited with \$496,621 of principal from this inter-account transfer. The remaining balance of this reported inter-account transfer constituted fictitious profits. (See **Exhibits 4A** and **4C**.)

23. Subsequent to this initial inter-account transfer, on December 30, 1994 and April 23, 2002, there were two inter-account transfers from BLMIS Accounts 1ZA006 and 1ZB408 into the Robbins Account in the aggregate amount of \$2,950⁴: (i) \$2,912 from BLMIS Account 1ZA006 on December 30, 1994; and (ii) \$37 from BLMIS Account 1ZB408 on April 23, 2002, as reflected on the Customer Statements. However, as discussed above, due to the zero principal balance in BLMIS Accounts 1ZA006 and 1ZB408 at the time of these inter-account transfers, there was no principal available to be transferred into the Robbins Account. Therefore, these amounts were not credited as principal into the Robbins Account because these reported inter-account transfers constituted fictitious profits. (See **Exhibits 4A-4C**.)

24. On September 26, 2001, there was an inter-account transfer from BLMIS Account 1ZB408 into the Robbins Account in the amount of \$2,019,192, as reflected on the Customer Statements. However, as discussed above, the Robbins Account was only credited with \$496,621 of principal from this inter-account transfer. The remaining balance of this reported inter-account transfer constituted fictitious profits. (See **Exhibits 4B** and **4C**.)

25. Additionally, on March 23, 2004, there was a cash deposit via check into the Robbins Account in the amount of \$39,188, all representing principal.

26. In sum, these four inter-account transfers and one cash deposit provided the Robbins Account with a total of \$1,032,430 of principal. (See **Exhibit 3**.)

⁴ Difference due to rounding.

D. Description of the Inter-Account Transfer and Cash Withdrawals Out of the Robbins Account

27. On May 15, 2001, there was an inter-account transfer from the Robbins Account into BLMIS Account 1ZB408 in the amount of \$1,965,367, as reflected on the Customer Statements. However, as discussed above, BLMIS Account 1ZB408 was only credited with \$496,621 of principal from this inter-account transfer. The remaining balance of this reported inter-account transfer constituted fictitious profits. (See **Exhibits 4B** and **4C**.)

28. Between November 21, 1994 and December 11, 2008, the Robbins Account reflected a total of ten cash withdrawals totaling \$3,050,200 – an amount which included both principal and fictitious profits.

29. The Principal Balance Calculation for the Robbins Account demonstrates that between November 21, 1994 and December 11, 2008, \$3,546,821 was withdrawn from or transferred within BLMIS (\$3,050,200 withdrawn in cash and \$496,621 transferred into BLMIS Account 1ZB408), which consisted of \$1,032,430 of principal and an additional \$2,514,391 of funds withdrawn in excess of principal, representing fictitious profits. Within the two-year period prior to December 11, 2008, \$2,250,200 of fictitious profits was withdrawn from the Robbins Account. (See **Exhibit 4C**.)

III. SIGNATURE AND RIGHT TO MODIFY

30. This report and the exhibits contained herein present my findings and the bases thereof. To the extent that any additional information is produced by any party, I reserve the right to incorporate such additional information into my report or to modify my report as necessary.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Matthew B. Greenblatt", is written over a horizontal line.

Matthew B. Greenblatt, CPA/CFF, CFE
Senior Managing Director
FTI Consulting, Inc.

Dated: April 21, 2017

IV. LIST OF EXHIBITS

Exhibit 1 – Curriculum Vitae and Testimony of Matthew B. Greenblatt

Exhibit 2 – Documents Considered

Exhibit 3 – Summary Schedule of Cash and Principal Activity in the Robbins Account

Exhibit 4A – Detailed Schedule for the Principal Balance Calculation for BLMIS Account
1ZA006

Exhibit 4B – Detailed Schedule for the Principal Balance Calculation for BLMIS Account
1ZB408

Exhibit 4C – Detailed Schedule for the Principal Balance Calculation for the Robbins Account